

Governance summary

L.U.C.R.F. Pty Ltd (the “company”) is a trustee of the Labour Union Co-operative Retirement Fund, (the “fund”). The trustee holds a Registrable Superannuation Entity (RSE) licence from the Australian Prudential Regulation Authority (APRA). It has an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investment Commission (ASIC) and APRA authorised MySuper product.

The primary purpose of LUCRF Super (also referred as the fund) is helping our members make the right financial choices as they move towards retirement. Our strategic plan links our purpose, vision and values with our strategy statement, corresponding goals, initiatives and measures. LUCRF Super has a combined strategic and business plan that links the Board’s and management’s views on internal and external trends, updates strategic priorities for the Fund and identifies the key strategic initiatives for the Fund. To achieve this, the trustee must ensure the fund is well governed.

The Trustee’s sole purpose and function is to operate the Fund in the best interests of all beneficiaries.

Structure of the board

Role of the board

The ultimate responsibility for the sound and prudent management of LUCRF Super’s business operations rests within the trustee’s board of directors. There are twelve directors on the trustee board. The board has an equal number of Employee representatives and Employer representatives and two independent directors. The fund has taken out insurance to indemnify the directors and legally responsible officers from loss resulting from any claim or wrongful act by the trustee or any other party. The Directors are not indemnified against penalties or fines imposed by law as a result of negligence or dishonest conduct.

The board must act in accordance with the governing rules of the fund which includes the Trust Deed. The Trustee has a Board Charter and a Board Appointment and Renewal Policy in place which are designed to meet APRA Prudential Standard. All policies are reviewed regularly to ensure their continuing effectiveness.

The Board Charter clearly establishes the relationship between the board and management and describes their respective roles and responsibilities.

The Chief Executive Officer is responsible to the board for the day-to-day management of the fund.

Key responsibilities of the Board

The Board’s key responsibilities include:

- Understand and comply with duties and obligations imposed on directors of the Company by law;
- Comply with the Code of Conduct;
- Assist the CEO in the discharge of his/her responsibilities;
- Monitor and review the operation and effectiveness of the governance program;

- Review Board and committee structures and performance from time to time and make decisions on new appointments to the Board and to committee as required;
- Contribute to the development of the Fund's strategy and objectives and approve the Fund's Business and Strategic Plan;
- Approve the budgets;
- Define the Fund's risk appetite, approve and oversee Fund's Risk Management Strategy;
- Approve the Investment Governance Framework and review the performance of the investment option;
- Ensure that the Fund holds, and has unfettered access to, financial resources to meet the Operational Risk Financial Reserve (ORFR) target amount.

Appointment of the board

LUCRF Super has a process in place for appointing new directors in the Board Appointment and Renewal Policy.

Any new directors appointed require the skills, qualifications and experience necessary to allow them to perform their responsibilities.

Board renewal

The board must maintain adequate expertise and skills on the board, although it acknowledges its desire to inject new ideas and philosophies. At the time of renewal, the performance of the director needs to be considered. Also, consideration must be given to the length of time the director has served on the board and whether it could be perceived to, materially interfere with their ability to act in the best interests of beneficiaries.

Where the board elects to refresh/renew directors at the end of a period, it will be conducted subject to criteria that achieve optimal balance between refreshing the Board and retaining valuable experience that will act in the members' best interest.

Board meetings

Meetings of the board are held generally six times a year. Meetings may be held more frequently as determined by the board, and whenever necessary for the board to consider matters requiring urgent attention. In addition to the board considering strategic matters at each board meeting, the board also discusses the business and strategic plan and approves the overall strategic direction.

Board performance evaluation

LUCRF Super recognises that Board performance evaluation is an important governance tool. The performance of the board overall and of directors individually will be reviewed on a regular basis (at least every year) against the responsibilities of the board and other criteria established from time to time by the board. The Board appreciates the importance of assessments, of performance and effectiveness, on an on-going basis. The Board's performance evaluation includes completing a detailed questionnaire regarding Boards performance as whole, strategic objectives, identifiable training needs for the board as a whole.

An independent review is undertaken every three years by an external party. An internal review of the Committees and Directors is undertaken annually. Any issues or weakness identified through the performance assessment are managed in regard to the Fit and Proper Policy. The Fit and Proper policy aims to ensure that individuals who hold Responsible Person position meet the requirements prior to their appointment and ongoing during the term of appointment.

LUCRF Super Board has completed a performance evaluation for the year 2018.

Training

Each new director will receive induction training covering the following matters and any additional matters approved by the Board:

- the business of the Company;
- the power and authority of the Board;
- responsibilities and duties of the Board; and
- the structures and operations of the Fund.

All Directors will receive ongoing training in respect of the above matters and other matters relevant to their responsibilities.

Board committees

The board has the ability under its Constitution to delegate its powers and responsibilities to the committees of the board. The board has established the following committees:

1. Investment Committee
2. Compliance, Risk and Audit Committee
3. Growth and Transformation committee;
4. Remuneration Committee, and
5. Claims Review Committee.

For each committee, the board has a charter setting out its roles and objectives, responsibilities, authorities and membership in a Terms of Reference document which reflects the committee's role. All committees report regularly to the board and annually complete an assessment against their Key Performance Measures.

Executives

Whilst ultimate responsibility for the sound and prudent management of the Fund rests with the Board, the CEO and the Executives have responsibility for the day to day management of the Fund which includes the development, implementation and monitoring of frameworks, strategies, policies and procedures used in managing the Trustee's business.

The Executives have day to day responsibility for running the Fund. LUCRF Super recognises that it is important that the Senior Management maintains their skills over time as the external environment is continually changing. The Executives have to ensure that they meet their ongoing requirements and training registers are maintained.

A performance evaluation of Executives was conducted in 2018.

The Executives and the Management Team will conduct performance review discussions with their staff at least annually.

Trustee governance policies

LUCRF Super has in place a number of policies to manage our regulatory compliance and human resource requirements. This includes:

Conflict management framework

LUCRF Super has developed a conflict management framework that identifies, avoids and manages conflicts of duty and interest. A policy is in place which reflects the trustee's legal and regulatory obligations and the trustee's commitment to the interests of beneficiaries. It applies to the entirety of its business operations.

The conflict management framework also includes a separate Gifts and Hospitality Policy. This Policy provides the employees with guidance to manage our obligations relating to the giving and receiving of gifts or hospitality.

A register for **Relevant Interests and Relevant Duties** of responsible persons, associates and itself is maintained by the trustee.

Code of conduct

LUCRF Super has developed a code of conduct that applies to all business activities between employees, with members and contractors, when they are acting on behalf of LUCRF Super, or could be perceived as acting on behalf on LUCRF Super.

The basic principles of LUCRF Super's code of conduct are:

- Uphold the principles of equal opportunity;
- Maintain a workplace free of discrimination, harassment and bullying;
- Perform jobs in a safe, responsible and effective manner;
- Be honest;
- Obey the law;
- Maintain the confidentiality of all our members, LUCRF or other parties' information gained through our work;
- Perform our duties of our abilities and be punctual and reliable in our attendance for work;
- Ensure our personal business, financial and other interest does not conflict with our duty to LUCRF.

The Board has also established a code of conduct for directors of the company. Each director must comply with the code of conduct.

LUCRF Super believes in improving diversity in the workforce and strengthen a workplace culture that values fair and inclusive practises which reflects the diversity of our members and communities. A Diversity policy has been developed which is a commitment by LUCRF Super to create a workplace that is fair and diverse.

Financial integrity

LUCRF Super's objective is to provide consistency between the financial results presented in the member statements to financial results presented in the statutory accounts. The board is responsible for fair presentation of the annual audited financial statements in accordance with statutory requirements. Their responsibility includes understanding the risks applicable in preparation of the financial statements, any material misstatement whether due to fraud or error etc.

The compliance, risk and audit committee assist the board in this role. A Budget is approved by the Board on an annual basis.

Environmental, social and corporate governance issues

LUCRF Super considers the environmental, social and corporate governance (ESG) performance of companies in which the Fund invests ("investee companies") to be relevant to the performance of LUCRF's investment portfolio.

LUCRF Super recognises that it should consider ESG risks in its investment decision-making processes in order to protect and manage its investments for the long-term.

LUCRF Super's Proxy Voting and Environmental, Social and Corporate Governance Issues Policy sets out framework that documents how we effectively integrate ESG principles into our sustainable investment process. In accordance with the policy, we regularly review our investment managers to ensure that our objectives are being met, both on a short-term and long-term basis.

Auditor independence

External audit

The role of the external auditor is to provide an independent opinion that our financial reports are true and fair, and comply with applicable regulations.

Our external auditor attends the compliance, risk & audit committee and receives all the committee papers, and is available to the committee members.

Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve LUCRF Super's operations. It helps LUCRF Super accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit provides written reports for the compliance, risk and audit committee and attends each meeting and has closed sessions with the committee excluding management.

The internal auditor has unfettered access to the trustee's business lines and support functions.

Risk management

LUCRF Super's approach to risk management incorporates the governance structure as well as the principles, framework and process as per the AS/NZS ISO 31000:2009. The trustee is responsible for development of a strong risk management culture within the operations of the fund. LUCRF Super has adopted a "three lines of defence model" to clarify roles, responsibilities and accountabilities for decision making, risk and control to achieve effectiveness governance risk management and assurance. This involves ensuring that staffs at all levels are aware of their responsibilities in relation to risk and the way risk impacts on their day-to-day duties. This awareness will be enhanced by regular reporting to all staff, and by training and information sessions on relevant risk management issues.

LUCRF Super has a risk management process in place that describes the key elements of the risk management framework that gives effect to the trustee's strategy for managing risk. LUCRF Super acknowledges that effective governance and strong risk culture are fundamental requirements for good risk management.

Roles and responsibilities

The board is responsible for reviewing and approving our overall risk management process, including determining our appetite for risk. The board has delegated to the compliance, risk & audit committee responsibility for recommendations to the board on LUCRF Super's risk management strategy, setting the risk appetite and tolerance and approving frameworks and policies for managing risk.

The CEO and the senior management are responsible for implementing policies, and procedures for identifying and managing risk in all of LUCRF Super's activities.

Fraud Management

The overall objective of the trustee is to manage fraud risks and encourage ethical behaviour. The Trustee believes effective governance process is the foundation of fraud risk management. LUCRF Super has adopted a clear framework and approach to fraud detection and prevention, the full details of which appear in our Fraud Control Plan which is a combination of embedded internal fraud controls and staff awareness supported by regular business unit and fraud risk assessment.

Whistleblower process

All directors and employees of LUCRF Super are encouraged to raise serious concerns that are known or suspected through the described reporting lines. The trustee will take all reasonable steps to protect people who responsibly report such matters from any detrimental action for making such report and will seek to provide natural justice to the person(s) who is (are) the subject of the report.

Member communication

Our members are at heart of what we do. As we seek to grow, we need to preserve the friendly and helpful experience that members like about our Fund, while improving our digital capabilities to create a seamless multi-channel offerings. Some of our key strategic initiatives include: enhancing our member digital offering, develop an outstanding multi-channel experience and provide appropriate and practical financial education to our members.

Our communication philosophy promotes the effective communication of information to members through member guides, member statements, performance reports, market updates, newsletters and annual reports. We like to keep our members up-to-date with the latest news and information on a regular basis.

We also interact with members through personalised multi-channel communications, including direct marketing campaigns, seminars, videos and social media and our in-house contact centre. Members have 24-hour account access via LUCRF Super’s website and secure mobile app, which also provides relevant information on superannuation, pensions and investment topics, as well as the latest news about the fund, fact sheets and the fund’s financial statements.

Board information

In line with the trustee’s commitment to transparency and disclosure, information on the following matters is available to members:

1. Director attendance at board and board committee meetings
2. Conflict Management Summary
3. Annual Financial Statement
4. Financial Services Guide
5. Privacy Policy
6. Environmental, Social and Corporate Governance Issues Policy
7. Trust Deed and other documents making up the Governing Rules to relevant members
8. Other material required to be disclosed by the SIS Act and Regulations.

Regulators

Australian Prudential Regulation Authority (APRA)	Prudential Regulator establishes and enforces prudential standards and practises designed to ensure that under all reasonable circumstances, financial promises made by institutions are met with a stable, efficient and competitive financial system.
Australian Securities & Investment Commission (ASIC)	Corporate regulator, responsible for ensuring that company Directors and Officers carry out their duties honestly, diligently and in the best interests of their company.
Australian Transaction and Reports Analysis Centre (AUSTRAC)	The Australian Transaction and Reports Analysis Centre (ASUTRAC) is Australia’s anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit.
Australian Taxation Office (ATO)	The ATO administers tax legislations and is the regulator for self-managed superannuation funds. They also manage lost super, temporary residents and compliance with the payment of Superannuation Guarantee.

**Office of Australian
Information
Commission (OAIC)**

The OAIC has three primary functions: privacy functions, freedom of information functions and government information policy functions. The OAIC's responsibilities include conducting investigations, reviewing decisions made under FOI Act, handling complaints, monitoring agency administration, providing advice to the public, government agencies and business.

Key legislations:

- Superannuation Industry (Supervision) Act 1993 and Regulations 1994 and APRA Prudential Standards;
- Income Tax Assessment Act 1997 Superannuation Guarantee (Administration) Act 1992;
- Corporations Act 2001 Superannuation (Resolution of Complaints) Act 1993;
- Financial Transaction Reports Act 1998 Anti- Money Laundering and Counter Terrorism Financing Act 2006
- Privacy Act